

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 6, 2002
To: Karen M. Ordinans, Chairman, Milwaukee County Board of Supervisors
From: Jerome J. Heer, Director of Audits
Subject: Audit Review - Wauwatosa School District's Reimbursement of Operating Costs of the Milwaukee County Department of Human Services (MCDHS) Schools for the 2000-01 School Year

Wauwatosa School District provides teaching services at the MCDHS schools pursuant to a contractual agreement. As part of the agreement, the Department of Audit reviews the School District's cost of providing teaching services and related reimbursements received from the Wisconsin Department of Public Instruction (DPI).

Our review has determined that for the 2000-01 school year, DPI approved all costs (\$2,894,541) associated with the school operations. However, because similar reimbursement requests from all school districts throughout the state exceeded DPI's appropriated funding, claims statewide were reduced to 97.95% of eligibility. For school operations on the County grounds, this amounted to an under-reimbursement of \$59,065. According to a DPI official, because of State budget constraints DPI will not file a request for additional funding with the State Joint Finance Committee to cover the shortfall. In addition, DPI anticipates another shortfall in funding for the current 2001-02 school year.

The agreement provides that Wauwatosa remit to Milwaukee County funds which represent a rental payment for the MCDHS school facilities. This rental payment amounts to \$811,645 for the 2000-01 school year. Historically, DPI reimbursed Wauwatosa approximately one year after the end of the school year. For the seventh consecutive year, DPI paid Wauwatosa 75 percent of their claim in the fall of 2001. Milwaukee County, in turn, received 75 percent of its rental payment (\$608,733.75) in December 2001 from Wauwatosa based on the earlier payment from DPI.

The balance due Milwaukee County within 45 days of the release of this report is \$202,911.25. However, because the agreement also provides that "The County will reimburse the school district for the educational expenses that are not reimbursed by the State" the District has indicated it will only reimburse the County the difference, or \$143,846.25 (\$202,911.25 balance due less the \$59,065 under-reimbursement).

MCDHS notified the School District in December 2000 of its intent not to automatically renew the contract for the 2001-02 school year pending contract provision changes including that in future school years Milwaukee County receives its prorated share of any early reimbursements from DPI on a timely basis. Last year's audit report also included a recommendation that MCDHS administration make necessary contract language changes. Although MCDHS has been negotiating contract language changes with School District officials, according to MCDHS, nothing has been finalized at this time.

Subsequent to the start of negotiations regarding contract language changes, we reminded MCDHS administration that current contract language contains the above mentioned long-standing provision under duties and responsibilities of the County which obligates the County to cover under-reimbursements. Considering current annual educational expenses total approximately \$2.9 million for this program and the uncertainty surrounding the issue of 'shared revenues' at the State level and the associated potential negative impact on other state funded programs, we recommended to MCDHS administration that to better protect Milwaukee County interests, this provision be negotiated out of the contract. Historically, this contract provision had only become an issue in the 1990-91 and 1991-92

school years when prior State funding shortfalls occurred. For the 1990-91 school year, an under-reimbursement resulted in a County payment of \$117,000. For 1991-92, the State's Joint Finance Committee approved additional funding to cover the state-wide shortfall.

Based on the above mentioned \$59,065 shortfall in DPI funding, the matter has become an issue again in this current 2000-01 school year report. As part of the current contract language negotiations with the School District, MCDHS requested a Corporation Counsel opinion to reaffirm the Wauwatosa School District's state statutory responsibility to educate children located within School District boundaries on the County grounds. In January 2002, Corporation Counsel issued a written opinion affirming that statutory responsibility of the School District. With that responsibility affirmed, we recommend MCDHS continue to pursue contract language changes which would relieve Milwaukee County of any financial responsibility and/or provide a more equitable sharing of education costs not reimbursed by DPI.

In order to expedite Milwaukee County's receipt of the payment (\$143,846.25) due from the Wauwatosa School District, we have issued this report without inclusion of MCDHS management's response.

Please refer this report to the Finance and Audit Committee.



Jerome J. Heer

JJH/JWG/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, County Executive
Kathleen M. Eilers, Acting Director, Department of Human Services
Terry Kocourek, Acting Director, Department of Administration
Roy de la Rosa, Director, Intergovernmental Relations
Timothy Schoewe, Acting Corporation Counsel
Robert Slotterback, Superintendent, Wauwatosa School District
Rob Henken, Director of Research, County Board Staff
Lauri J. Henning, Committee Clerk, County Board Staff

AUDIT REVIEW OF WAUWATOSA SCHOOL DISTRICT'S REIMBURSEMENT OF OPERATING COSTS OF MCDHS SCHOOLS FOR THE 2000-01 SCHOOL YEAR

Background

Milwaukee County has a contractual agreement with the Wauwatosa School District to provide teaching services at the Milwaukee County Department of Human Services (MCDHS) schools (CATC and Detention Center). The County agrees to reimburse Wauwatosa for any program costs not reimbursed by the Wisconsin Department of Public Instruction (DPI) as they apply to the residents of the MCDHS schools. As a provision of this agreement, the County Department of Audit reviews the School District's request for State reimbursement prior to submission of such claims to DPI. Subsequently, the Department of Audit reviews reimbursements received from DPI and reports on the settlement between the School District and Milwaukee County. As an additional part of the contractual agreement, Wauwatosa reimburses MCDHS funds which represent a rental payment for using school facilities. Within 45 days of release of the audit report, the School District must remit to Milwaukee County a rental payment for facilities.

Scope

Our audit review included the following procedures:

- Obtained written verification that County rental costs were included in the School District's request for State reimbursement;
- Examined copies of the School District's request for State reimbursement, prior to submission of such claims to DPI, to ascertain that all reimbursable costs have been included in the reimbursement claims;
- Verified reimbursement received from DPI to determine the settlement between the School District and Milwaukee County; and
- Reviewed the contractual agreement between the County and the School District.

Settlement for the 2000-01 School Year

As summarized on the attached **Exhibit**, the School District will remit \$143,846.25 to Milwaukee County. The \$143,846.25 represents the remaining 25 percent of the outstanding 2000-01 rental payment for the MCDHS school facilities less the \$59,065 under-reimbursement by DPI. We recommend that MCDHS administration:

1. *Obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report.*
2. *Continue negotiations with the School District regarding contract language changes so that Milwaukee County receives its prorated share of any future early reimbursements made to the School District from DPI; and secondly that the County is relieved of any financial responsibility and/or is provided a more equitable sharing of educational expenses of the program if the DPI (State) does not reimburse all program costs.*

Exhibit

Audit Review of Wauwatosa School District's
Reimbursement of Operating Costs of MCDHS Schools
for the 2000-01 School Year

School Facility Rental Charges		\$811,645.00
Less Net Unreimbursed Expenditures:		
Costs	\$2,894,541.00	
Less Reimbursed Expenditures	<u>2,835,476.00</u>	
Net Unreimbursed Expenditures		<u>59,065.00</u>
Total Amount Due From School District		<u>\$752,580.00</u>
Less Amount (75%) Previously Received from School District		<u>\$(608,733.75)</u>
Remaining Balance Due from School District		<u>\$143,846.25</u>